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SUBJECT: LABOR MINISTRY REPORTS THEFT OF \$8 MILLION FROM
SOCIAL SECURITY FUND

¶1. (U) On June 2, a commission of inquiry established by the Ministry of Labor (MOL) announced that USD eight million had been stolen from the National Institute of Social Security (INSS) between 2002 and 2008. The commission's findings indicate that the theft involved a series of fraudulent operations, including over-invoicing, double payments, kickbacks, and preferred direct tenders. According to the commission, the fraudulent operations occurred in six of the country's 11 provinces and were headed by the former director of the INSS, Dulcinio Loforte.

¶2. (U) The INSS enjoys administrative autonomy but is answerable to the MOL. Press and civil society openly and publicly refer to it as one of the most corrupt government entities in the country because of the perception that money contributed to the fund is rarely used for its intended purpose. In fact, this is the second time in three years that the INSS has come under public scrutiny. In 2005, the then-newly appointed Minister of Labor Helena Taipo fired a previous INSS Director for allegations of corruption. By law, employees in all sectors pay a percentage of their salary to the INSS, which entitles them to paid benefits during maternity leave, in the event of incapacitation, for funerals, and to receive a retirement pension. Accessing such benefits traditionally has been difficult and often impossible. The media has reported cases whereby retirees died before receiving a single pension payment.

¶3. (SBU) COMMENT: On the surface, the MOL's establishment of the commission, its apparently thorough investigation, and public announcement of findings is a positive development, particularly as it relates to the government's announced desire to fight corruption at all levels. However, the Ministry only called the press conference because journalists began questioning recent critical statements by the MOL regarding the INSS. In the meantime, the MOL is taking disciplinary action against Loforte and the Attorney General's Office has initiated criminal proceedings. If the proceedings are handled well and the investigation is made public, the case could serve as a rare positive example of a government ministry working to root out corruption in its ranks. End Comment.

Chapman